

# **Alfred Nzo District Municipality**



## **Group Annual Financial Statements**

**for the year ended**

**30 June 2010**

# Group Annual Financial Statements

for

## ***Alfred Nzo District Municipality***

for the year ended 30 June: **2010**

Province:

Eastern Cape

AFS rounding:

***R (i.e. only cents)***

### **Contact Information:**

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<b>Name of Chief Financial Officer:</b>	M. Mkatu
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**Alfred Nzo District Municipality**  
**GROUP ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

<b>Index</b>	<b>Page</b>
General Information	1 - 2
Approval of Group Annual Financial Statements	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6 - 7
Cash Flow Statement	8
Accounting Policies	9 - 14
Notes to the Annual Financial Statements	15 - 31
Appendix A: Schedule of External Loans	32
Appendix D: Segmental Statement of Financial Performance	33 - 34

**Abbreviations**

GROUP	-	Group Annual Financial Statements
ANDM	-	Alfred Nzo District Municipality
ANDA	-	Alfred Nzo Development Agency (Pty) Ltd
GRAP	-	Generally Recognised Accounting Practice
IMFO	-	Institute of Municipal Financial Officers
MFMA	-	Municipal Finance Management Act

**Alfred Nzo District Municipality**  
**GROUP ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**General information**

**Members of the Council**

G.G. Mpumza	<b>Executive Mayor</b>
N. Goya	<b>Speaker</b>
L. Tshiki	Mayoral Committee
M. Nyamakazi	Mayoral Committee
V.N. Mdingazwe	Mayoral Committee
N.S. Nkopane	Mayoral Committee
L.L Nqasha	Member
M. Hlanekela	Member
X. Jona	Member
C.M. Lebenya	Member
K. Magaya	Member
N. A. Magadla	Member
B. N. Maome	Member
M. Makaula	Member
N. Mbele	Member
P. Mbuto	Member
W. B. Mfulana	Member
V.V. Mhlala	Member
N. Mpanda	Member
L. S. Mtshoniswa	Member
M. V. Nkqayi	Member
M. M. Notshele	Member
F. Nxuseka	Member

**Municipal Manager**

M. Moyo

**Chief Financial Officer**

M. Mkatu

**Grading of Local Authority**

Grade 3

**Auditors**

The Office of the Auditor-General

**Bankers**

First National Bank Ltd - Mount Frere

**Alfred Nzo District Municipality**  
**GROUP ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**General information (continued)**

**Registered Office:** Mount Ayliff

**Physical address:** Erf 1400  
Ntsizwa Street  
Mount Ayliff  
4735

**Postal address:** Private Bag X 511  
Mount Ayliff  
4735

**Telephone number:** (039) 254 5000

**Fax number:** (039) 254 0343

**E-mail address:** [moyom@andm.gov.za](mailto:moyom@andm.gov.za) / [mkatum@andm.gov.za](mailto:mkatum@andm.gov.za)

**Alfred Nzo District Municipality**  
**GROUP ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**Approval of the group annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 34, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Municipal Manager:**

**30 September 2010**

**Alfred Nzo District Municipality**  
Group Annual Financial Statements for the year ended 30 June 2010

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010**

		GROUP		ANDM	
	Note(s)	2010 R	2009 R	2010 R	2009 R
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	1	1,583,739	16,515,558	1,564,942	16,502,242
Trade and other receivables from exchange transactions	2	9,292,584	2,743,414	9,292,584	2,743,414
Inventories	3	1,500,913	951,426	1,500,913	951,426
Investments	4	27,375,147	72,537,504	27,358,135	72,537,504
Current portion of receivables	5	860,863	862,540	860,863	862,540
VAT receivable	9	24,920,878	26,710,779	24,920,878	26,710,779
<b>Non-current assets</b>					
Non-current Investments	6	15,112,935	13,675,287	15,112,935	13,675,287
<b>Total assets</b>		<b>80,647,059</b>	<b>133,996,507</b>	<b>80,611,250</b>	<b>133,983,191</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables from exchange transactions	8	31,363,655	86,980,842	29,164,233	86,970,342
Bank overdraft	1	52,041	743,869	52,041	743,869
Unspent conditional grants and receipts	10	16,875,777	28,517,998	16,875,777	28,517,998
Current portion of borrowings	11	2,361,828	2,232,970	2,361,828	2,232,970
Other current financial liabilities	12	-	-	2,140,000	-
<b>Non-current liabilities</b>					
Non-current borrowings	11	25,147,993	26,052,935	25,147,993	26,052,935
<b>Total liabilities</b>		<b>75,801,294</b>	<b>144,528,614</b>	<b>75,741,872</b>	<b>144,518,114</b>
<b>Net assets</b>		<b>4,845,765</b>	<b>(10,532,107)</b>	<b>4,869,378</b>	<b>(10,534,923)</b>
<b>NET ASSETS</b>					
Accumulated surplus / (deficit)		4,845,765	(10,532,107)	4,869,378	(10,534,923)
<b>Total net assets</b>		<b>4,845,765</b>	<b>(10,532,107)</b>	<b>4,869,378</b>	<b>(10,534,923)</b>

**Alfred Nzo District Municipality**  
Group Annual Financial Statements for the year ended 30 June 2010

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

	Note(s)	GROUP		ANDM	
		2010 R	2009 R	2010 R	2009 R
<b>Revenue</b>					
Service charges	13	12,382,156	7,199,230	12,382,156	7,199,230
Rental of facilities and equipment	14	367,504	498,633	367,504	498,633
Interest earned - external investments	15	4,213,248	2,838,484	4,203,973	2,836,466
Government grants and subsidies	16	259,124,667	209,483,703	259,124,667	209,483,703
Other income	17	3,472,919	2,864,905	3,472,919	2,864,905
<b>Total revenue</b>		<b>279,560,494</b>	<b>222,884,955</b>	<b>279,551,219</b>	<b>222,882,937</b>
<b>Expenses</b>					
Employee related costs	18	45,442,885	59,641,946	45,019,785	59,641,946
Remuneration of councillors	19	3,716,078	2,461,471	3,716,078	2,461,471
Doubtful debts		4,693,402	5,818,115	4,693,402	5,818,115
Repairs and maintenance		6,748,639	675,420	6,748,639	675,420
Finance costs	20	2,288,685	2,385,770	2,288,685	2,385,770
Bulk purchases	21	3,935,463	1,712,397	3,935,463	1,712,397
Grants and subsidies paid	22	-	-	8,079,482	150,000
General expenses	23	45,405,421	34,398,565	37,744,972	34,285,372
<b>Total expenses</b>		<b>112,230,573</b>	<b>107,093,684</b>	<b>112,226,507</b>	<b>107,130,491</b>
<b>Surplus for the year</b>		<b>167,329,921</b>	<b>115,791,271</b>	<b>167,324,712</b>	<b>115,752,446</b>



<b>Alfred Nzo District Municipality</b> Group Annual Financial Statements for the year ended 30 June 2010				
STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2010				
			GROUP	
		Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
<b>Balance at 30 June 2008</b>			<b>10,627,655</b>	<b>10,627,655</b>
Changes in accounting policy		27	(136,951,033)	(136,951,033)
<b>Restated balance</b>			<b>(126,323,378)</b>	<b>(126,323,378)</b>
Surplus for the year			115,791,271	115,791,271
<b>Balance at 30 June 2009</b>			<b>(10,532,107)</b>	<b>(10,532,107)</b>
Prior year error		27	5,998,745	5,998,745
<b>Restated balance</b>			<b>(4,533,362)</b>	<b>(4,533,362)</b>
Accounting policy - effect of Directive 4 application		27	(157,950,794)	(157,950,794)
Surplus for the year			167,329,921	167,329,921
<b>Balance at 30 June 2010</b>			<b>4,845,765</b>	<b>4,845,765</b>

<b>Alfred Nzo District Municipality</b> Group Annual Financial Statements for the year ended 30 June 2010				
STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2010				
			ANDM	
		Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
<b>Balance at 30 June 2008</b>			<b>10,627,655</b>	<b>10,627,655</b>
Changes in accounting policy		27	(136,915,024)	(136,915,024)
<b>Restated balance</b>			<b>(126,287,369)</b>	<b>(126,287,369)</b>
Surplus for the year			115,752,446	115,752,446
<b>Balance at 30 June 2009</b>			<b>(10,534,923)</b>	<b>(10,534,923)</b>
Prior year error		27	5,998,745	5,998,745
<b>Restated balance</b>			<b>(4,536,178)</b>	<b>(4,536,178)</b>
Accounting policy - effect of Directive 4 application				
Surplus for the year		27	(157,919,157)	(157,919,157)
			167,324,712	167,324,712
<b>Balance at 30 June 2010</b>			<b>4,869,378</b>	<b>4,869,378</b>

**Alfred Nzo District Municipality**  
Group Annual Financial Statements for the year ended 30 June 2010

**CASH FLOW STATEMENT AS AT 30 JUNE 2010**

Note(s)	GROUP		ANDM	
	2010 R	2009 R	2010 R	2009 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from ratepayers, government and other	270,589,654	81,527,049	275,733,719	81,527,049
Cash paid to suppliers and employees	(171,623,181)	(29,563,707)	(176,812,101)	(29,611,013)
Cash generated from operations	24 98,966,473	51,963,342	98,921,618	51,916,036
Interest Received	4,213,248	2,838,484	4,203,973	2,836,466
Interest Paid	(2,288,685)	(2,385,770)	(2,288,685)	(2,385,770)
<b>Net cash flows from operating activities</b>	<b>100,891,037</b>	<b>52,416,055</b>	<b>100,836,907</b>	<b>52,366,732</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(157,950,794)	(1,255,997)	(157,919,157)	(1,219,989)
(Increase) / decrease in non-current receivables	(1,437,648)	129,257	(1,437,648)	129,257
<b>Net cash flows from investing activities</b>	<b>(159,388,442)</b>	<b>(1,126,740)</b>	<b>(159,356,805)</b>	<b>(1,090,732)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New loans (repaid) / raised	(904,943)	1,461,898	(904,943)	1,461,898
Prior year unallocated adjustments	-	(37,010,885)	-	(37,010,885)
<b>Net cash flows from financing activities</b>	<b>(904,943)</b>	<b>(35,548,987)</b>	<b>(904,943)</b>	<b>(35,548,987)</b>
<b>Net (decrease) / increase in net cash and cash equivalents</b>	<b>(59,402,348)</b>	<b>15,740,329</b>	<b>(59,424,841)</b>	<b>15,727,013</b>
<b>Net cash and cash equivalents at beginning of year</b>	<b>88,309,193</b>	<b>72,568,864</b>	<b>88,295,877</b>	<b>72,568,864</b>
<b>Net cash and cash equivalents at end of year</b>	<b>25 28,906,845</b>	<b>88,309,193</b>	<b>28,871,036</b>	<b>88,295,877</b>

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010**

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**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The group annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These group annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these group annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 EXEMPTIONS TAKEN ACCORDING TO DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES**

The following are the principle accounting policies affected by the Directive 4 which are, in all material respects, consistent with the deviation in applying some standards of Generally Recognised Accounting Practices (GRAP).

**GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets. Similarly as per Directive 4 the Municipality has not complied with the presentation and disclosure requirements of GRAP 19.

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

**GRAP 100 -Non-current assets and discontinued operations**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards.

**GRAP 17 -Property, Plant and Equipment**

The Municipality has taken an advantage of the transitional provisions set out in Directive 4. All Property, Plant and Equipment carrying values and acquisitions have been written off to Accumulated Surplus until the valuation of the Property, Plant and Equipment is completed by 30 June 2012.

This transitional provision impacts on the measurement; recognition and disclosure of following classes of Property Plant and Equipment:

- Land and Buildings
- Infrastructure Assets
- Community Assets
- Heritage Assets
- Other assets

The Municipality is in the process of identifying and itemising all Property, Plant and Equipment and will recalculate depreciation once this exercise has been completed by 30 June 2012. As part of this exercise the following will also be addressed:

- Review of useful life of Property, Plant and Equipment recognised in the Annual Financial Statements.
- Review of the depreciation method applied to PPE recognized in the Annual Financial Statements.
- Impairment of non-cash generating assets.
- Impairment of cash-generating assets.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010**

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**GRAP 16 - Investment Properties**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the Investment Properties, including land for undetermined use and property plant and equipment held for capital appreciation or rental income. Similarly the municipality has taken advantage of presentation and disclosure of transitional provision in Directive 4.

The municipality is currently in the process of identifying all Investment properties and to have them valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the subsequent financial statements.

**GRAP 102 - Intangible Assets**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Intangible assets in accordance with the standard, including the following:

- Computer Software;
- Intangible assets financed by way of finance leases;
- Intangible assets transferred as a result of the transfer of functions;
- and servitudes.

The municipality is currently in the process of identifying all Intangible assets and have them valued in terms of GRAP 102 and it is expected that this process will be completed by the 2012 reporting year. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

**1.3 PRESENTATION CURRENCY**

These group annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.4 GOING CONCERN ASSUMPTION**

These group annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.5 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these group annual financial statements and forms part of the auditable group annual financial statements.

When the presentation or classification of items in the group annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 8 Interest in Joint Ventures - issued August 2006
- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 21 Impairment of Non-Cash Generating Assets - issued March 2009
- GRAP 26 Impairment of Cash Generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010**

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**2 PROPERTY, PLANT AND EQUIPMENT**

The Municipality has applied the provisions of Directive 4 relating to property, plant and equipment. All items of property, plant and equipment have thus been measured at nil in the current year financial statements. Comparative figures have also been restated at nil. All prior year carrying values and current year acquisitions have been written off to Accumulated surplus until such time that the re-established values in the asset register is determined by the 2012 reporting year.

**3 INTANGIBLE ASSETS**

The Municipality has applied the provisions of Directive 4 relating to intangible assets. All intangibles have thus been measured at nil in the current year group annual financial statements.

**4 INVENTORIES**

**4.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**4.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory is sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

**5 FINANCIAL INSTRUMENTS**

**5.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

**5.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010**

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**5.2.1 INVESTMENTS**

Investments, which include long- and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**5.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**5.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**5.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**6 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010**

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**7 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**8 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**9 REVENUE**

**9.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**9.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**10 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010**

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**11 VALUE ADDED TAX**

Revenues, expenses and assets are recognised net of the amount of VAT, except: 1. where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost acquisition of the asset or as part of the expense items as applicable; and 2. receivables and payables that are stated with the amount of VAT included.

The municipality is registered on the cash (payment) basis, resulting in recognising input and output VAT as and when receipts and payments are made. The vat rate applied is 14%.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**12 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors in terms of a defined contribution plan as defined. The contributions to fund are recognised as an expense as and when they occur.

The Municipality contributes to the SAMWU Provident Fund, the Natal Joint Pension Fund and SALA on behalf of its employees, and to the Councillors' Pension Fund on behalf of its councillors.

**13 INVESTMENT IN MUNICIPAL ENTITY**

**Group Annual Financial Statements**

The group Annual Financial Statements include those of the municipality and its controlled entity (subsidiary). The results of the subsidiary is included from the effective date of aquisition.

Consolidated Annual Financial Statements are prepared, and on aquisition, the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less cost to sell, from the date the control commences until the control ceases.

**Municipal Annual Financial Statements**

In the municipality's separate Annual Financial Statements, the investment in the municipal entity are carried at cost, less any accumulated impairment.

The Municipal entity is an entity controlled and wholly owned by Alfred Nzo District Municipality. Control exists as the municipality has the power to govern the financial and operating policies, exercise direct control and the municipality provides a majority of the financial needs of the entity.

**GRAP 6 - Consolidated and seperate financial statements**

The Group Annual Financial Statements is presented in accordance with GRAP 6 - "Consolidated and seperate financial statements". The standard is applied retrospectively for the separate financial statements. The effects at transaction date was determined and the opening accumulated surpluses and deficits adjusted as this is the first year that this standard is initially adopted. In terms of paragraph 19 of Directive 4, no comparative information is required to be disclosed, however, due to the simplicity of the transactions between the municipality and its sole wholly owned entity, the comparative consolidated figures is fully diclosed.

**Alfred Nzo District Municipality**  
Group Annual Financial Statements for the year ended 30 June 2010

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**1 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash on hand  
Cash at bank

GROUP		ANDM	
2010	2009	2010	2009
R	R	R	R
2,700	1,100	1,000	1,000
1,581,039	16,514,458	1,563,942	16,501,242
1,583,739	16,515,558	1,564,942	16,502,242

The Municipality has the following bank accounts: -

**Current Account (Primary Bank Account)**

First National Bank - Mount Frere Branch: Account Number 62024932974

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

16,514,458	-	16,501,242	-
(52,041)	16,514,458	(52,041)	16,501,242
16,514,458	-	16,501,242	-
(52,041)	16,514,458	(52,041)	16,501,242

**Current Account (Other Accounts)**

First National Bank - Mount Frere Branch: Account Number 62121604848

First National Bank - Mount Frere Branch: Account Number 52720044256

First National Bank - Mount Frere Branch: Account Number 62012405503

First National Bank - Mount Frere Branch: Water Account Number 62152581586

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

(743,869)	-	(743,869)	-
1,581,039	(743,869)	1,563,942	(743,869)
324,953	-	311,737	-
1,089,770	324,953	1,072,673	311,737

**Cash on hand**

Total cash and cash equivalents

Total bank overdraft

2,700	1,100	1,000	1,000
1,583,739	16,515,558	1,564,942	16,502,242
52,041	743,869	52,041	743,869

**2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (\*)**

**Trade receivables**

**as at 30 June 2010**

Service debtors

Water

Sewerage

**Total**

Gross Balances	Provision for Doubtful Debts	Net Balance
R	R	R
24,817,548	(16,510,262)	8,307,286
985,298	-	985,298
<b>25,802,846</b>	<b>(16,510,262)</b>	<b>9,292,584</b>

**as at 30 June 2009**

Service debtors

Water

**Total**

14,560,273	(11,816,860)	2,743,414
<b>14,560,273</b>	<b>(11,816,860)</b>	<b>2,743,414</b>

**Ageing of Trade Receivables:**

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 - 365 Days

**Total**

2010	2009
6,514,464	592,080
795,962	492,125
1,098,096	590,158
884,061	1,069,050
16,510,262	11,816,860
<b>25,802,846</b>	<b>14,560,273</b>

**Alfred Nzo District Municipality**  
Group Annual Financial Statements for the year ended 30 June 2010

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>GROUP</b>		<b>ANDM</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b><u>Ageing per Consumer Classification:</u></b>				
<b>Business:</b>				
Current (0 – 30 days)			1,893,290	
31 - 60 Days			216,099	
61 - 90 Days			379,526	
91 - 120 Days			243,968	
121 - 365 Days			2,564,062	
<b>Total</b>			<b>5,296,945</b>	
<b>Church:</b>				
Current (0 – 30 days)			38,125	
31 - 60 Days			16,442	
61 - 90 Days			14,723	
91 - 120 Days			82,129	
121 - 365 Days			153,759	
<b>Total</b>			<b>305,179</b>	
<b>Domestic:</b>				
Current (0 – 30 days)			2,507,778	
31 - 60 Days			417,216	
61 - 90 Days			580,523	
91 - 120 Days			429,081	
121 - 365 Days			13,019,760	
<b>Total</b>			<b>16,954,357</b>	
<b>Government:</b>				
Current (0 – 30 days)			1,871,746	
31 - 60 Days			118,645	
61 - 90 Days			98,662	
91 - 120 Days			116,949	
121 - 365 Days			593,305	
<b>Total</b>			<b>2,799,307</b>	
<b>Municipality:</b>				
Current (0 – 30 days)			85,730	
31 - 60 Days			23,334	
61 - 90 Days			18,899	
91 - 120 Days			8,267	
121 - 365 Days			128,569	
<b>Total</b>			<b>264,799</b>	
<b>Education - Schools:</b>				
Current (0 – 30 days)			117,795	
31 - 60 Days			4,225	
61 - 90 Days			5,764	
91 - 120 Days			3,668	
121 - 365 Days			50,807	
<b>Total</b>			<b>182,259</b>	
<b><u>Reconciliation of the doubtful debt provision</u></b>				
Balance at beginning of the year			11,816,860	5,998,745
Contributions to provision			469,340	5,818,115
<b>Balance at end of year</b>			<b>16,510,262</b>	<b>11,816,860</b>

**Alfred Nzo District Municipality**  
Group Annual Financial Statements for the year ended 30 June 2010

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

GROUP		ANDM	
2010	2009	2010	2009
R	R	R	R

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 6,927,065 (2009: R 2,151,333) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	795,962	492,125
2 months past due	1,098,096	590,158
3 months past due	884,061	1,069,050
	<b>2,778,120</b>	<b>2,151,333</b>

**Trade and other receivables impaired**

As of 30 June 2010, trade and other receivables of R 16,510,262 (2009: R 11,816,860) were impaired and provided for.

The ageing of these receivables is as follows:

More than 3 months past due	<b>16,510,262</b>	<b>11,816,860</b>
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The fair value of trade and other receivables approximates their carrying amounts.

\*Note - This note applies to both the Group and ANDM

**3 INVENTORIES**

Maintenance materials - at cost	669,170	737,799	669,170	737,799
Water - at cost	831,743	213,627	831,743	213,627
	<b>1,500,913</b>	<b>951,426</b>	<b>1,500,913</b>	<b>951,426</b>

**4 INVESTMENTS**

Call investments	27,375,147	72,537,504	27,358,135	72,537,504
	<b>27,375,147</b>	<b>72,537,504</b>	<b>27,358,135</b>	<b>72,537,504</b>

All call investments are held at First National Bank, and earn interest at rates linked to Prime. Included are investments amounting to R 16,875,777 (2009 : R 28,517,998) backing unspent conditional grants as per note 10.

**5 NON-CURRENT RECEIVABLES**

Car loans	860,863	862,540	860,863	862,540
Less : Current portion transferred to current receivables	(860,863)	(862,540)	(860,863)	(862,540)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**CAR LOANS**

The loans were advanced to employees to facilitate the acquisition of their own motor vehicles. The loans bear interest at 8% per annum. The loans were repayable over periods of between 48 and 72 months, but have since lapsed.

**6 NON-CURRENT INVESTMENTS**

**Financial Instruments**

Fixed Deposit	15,112,935	13,675,287	15,112,935	13,675,287
	<b>15,112,935</b>	<b>13,675,287</b>	<b>15,112,935</b>	<b>13,675,287</b>

**Pledged Investments:**

Fixed deposits consist of money deposited with Investec Bank. The money was invested on 22/07/2004, and will mature on 22/07/2014. The deposit earns interest at 10.15% per annum. The fixed deposit serves as security for the loans obtained by the Development Bank of South Africa. A promissory Note on the investment has been issued by Investec, with a maturity value of R 22,711,353. The carrying amount at year end approximates its fair value.

Group Annual Financial Statements for the year ended 30 June 2010

## 7 PROPERTY, PLANT AND EQUIPMENT

## as at 1 July 2009

Cost/Revaluation  
Accumulated depreciation and impairment losses

Acquisitions  
Depreciation

*Directive 4 has been adopted. All purchases and prior balances have been written-off to Accumulated Surplus until the Asset register values have been re-established in the coming year.*

Carrying value of disposals  
Cost/Revaluation  
Accumulated depreciation at

Impairment loss/Reversal of impairment loss

## Transfers

as at 30 June 2010

Cost/Revaluation  
Accumulated depreciation and impairment losses

## as at 1 July 2008

Cost/Revaluation  
Accumulated depreciation and impairment losses

Acquisitions  
Depreciation

Directive 4 has been adopted. All purchases and prior balances have been written-off to Accumulated Surplus until the Asset register values have been re-established in the coming year.

Carrying value of disposals  
Cost/Revaluation

Accumulated depreciation and impairment losses

Impairment loss/Reversal of impairment loss  
Transfers  
\*Other movements

as at 30 June 2009

**as at 30 June 2009**  
Cost/Revaluation  
Accumulated depreciation and impairment losses

18

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	GROUP		ANDM	
	2010 R	2009 R	2010 R	2009 R
<b>8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
Trade creditors	28,567,851	24,057,748	26,368,429	24,047,248
Payments received in advance	-	59,968,203	-	59,968,203
Staff leave accrual	2,795,804	2,954,890	2,795,804	2,954,890
<b>Total creditors</b>	<b>31,363,655</b>	<b>86,980,842</b>	<b>29,164,233</b>	<b>86,970,342</b>
The fair value of trade and other payables approximates their carrying amounts.				
<b>9 VAT RECEIVABLE</b>				
VAT receivable	24,920,878	26,710,779	24,920,878	26,710,779
	<b>24,920,878</b>	<b>26,710,779</b>	<b>24,920,878</b>	<b>26,710,779</b>
VAT is payable on the cash (payment) basis. VAT is paid over to SARS only once payment is received from debtors.				
<b>10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>				
<b>10.1 Unspent Conditional Grants from other spheres of Government</b>				
MIG Grants	418,594	15,392,254	418,594	15,392,254
Dwaf Capital	3,035,028	3,050,841	3,035,028	3,050,841
Dwaf Sanitation	1,672,195	281,023	1,672,195	281,023
Fire & Emergency	84,823	1,324,851	84,823	1,324,851
Dept. Sports & Culture	1,470,299	1,008,137	1,470,299	1,008,137
Performance Measurement System	536,315	308,914	536,315	308,914
Disaster Management	145,285	615,285	145,285	615,285
Department of Public Works	2,806,961	-	2,806,961	-
IDP Review	773,423	349,327	773,423	349,327
<b>10.2 Other Unspent Conditional Grants and Receipts</b>				
LED - Capacity	373,654	354,496	373,654	354,496
LED - Strategy	562,646	446,640	562,646	446,640
MSIG	282,589	3,700	282,589	3,700
FMG	179,199	11,706	179,199	11,706
LED - Economic Affairs	(640)	219,360	(640)	219,360
Thetha	777,268	1,210,273	777,268	1,210,273
ISRDP	1,583,612	-	1,583,612	-
LG - Seta	67,192	23,481	67,192	23,481
DIDEA	221,847	221,847	221,847	221,847
HIV/AIDS	600,312	89	600,312	89
IEC - Rural Housing Development	1,285,177	3,695,775	1,285,177	3,695,775
<b>Total Unspent Conditional Grants and Receipts</b>	<b>16,875,777</b>	<b>28,517,998</b>	<b>16,875,777</b>	<b>28,517,998</b>
Refer to note 16 for the reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised for its intended purpose - refer note 4.				
<b>11 BORROWINGS</b>				
Other borrowings	27,509,821	28,285,905	27,509,821	28,285,905
	<b>27,509,821</b>	<b>28,285,905</b>	<b>27,509,821</b>	<b>28,285,905</b>
Less : Current portion transferred to current liabilities	(2,361,828)	(2,232,970)	(2,361,828)	(2,232,970)
<b>Total borrowings</b>	<b>25,147,993</b>	<b>26,052,935</b>	<b>25,147,993</b>	<b>26,052,935</b>
These borrowings are secured by a fixed deposit as per note 6. Refer to Appendix A for more detail on borrowings.				

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GROUP		ANDM	
2010	2009	2010	2009
R	R	R	R

### 12 OTHER CURRENT FINANCIAL LIABILITIES

Borrowings to Alfred Nzo Development Agency

-	-	2,140,000	-
-	-	<b>2,140,000</b>	-

Represents a non-interest bearing short term loan to Alfred Nzo Development Agency, 100% owned by the municipality.

### 13 SERVICE CHARGES

Sale of water

11,207,237 7,107,685 11,207,237 7,107,685

Sewerage and sanitation charges

1,174,919 91,546 1,174,919 91,546

**Total Service Charges**

**12,382,156 7,199,230 12,382,156 7,199,230**

### 14 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities

367,504 498,633 367,504 498,633

**Total rentals**

**367,504 498,633 367,504 498,633**

### 15 INTEREST EARNED - EXTERNAL INVESTMENTS

Financial assets

4,213,248 2,838,484 4,203,973 2,836,466

**Total interest**

**4,213,248 2,838,484 4,203,973 2,836,466**

### 16 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share

99,430,220 79,948,205 99,430,220 79,948,205

MIG Grant

138,391,659 105,333,725 138,391,659 105,333,725

Other Government Grants and Subsidies

21,302,788 24,201,773 21,302,788 24,201,773

**Total Government Grant and Subsidies**

**259,124,667 209,483,703 259,124,667 209,483,703**

#### 16.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

#### 16.2 MIG Grant

**Balance unspent at beginning of year**

15,392,254 10,557,979 15,392,254 10,557,979

Current year receipts

129,973,843 110,168,000 129,973,843 110,168,000

Equitable share repayment

(6,555,843) - (6,555,843) -

Conditions met - transferred to revenue

(138,391,660) (105,333,725) (138,391,660) (105,333,725)

**Conditions still to be met - remain liabilities (see note 10)**

**418,594 15,392,254 418,594 15,392,254**

In the prior year the municipality supplemented the MIG fund from its Equitable share to cover certain capital expenses. The R 6,555,843 constitutes the repayment of the "advance" in the current year.

#### 16.3 Dwaf Capital Grant

**Balance unspent at beginning of year**

3,050,841 73,213 3,050,841 73,213

Current year receipts

3,260,249 5,741,535 3,260,249 5,741,535

Conditions met - transferred to revenue

(3,276,062) (2,763,907) (3,276,062) (2,763,907)

**Conditions still to be met - remain liabilities (see note 10)**

**3,035,028 3,050,841 3,035,028 3,050,841**

#### 16.4 Dwaf Sanitation Grant

**Balance unspent at beginning of year**

281,023 65,560 281,023 65,560

Current year receipts

7,369,976 7,849,130 7,369,976 7,849,130

Conditions met - transferred to revenue

(5,978,804) (7,633,667) (5,978,804) (7,633,667)

**Conditions still to be met - remain liabilities (see note 10)**

**1,672,195 281,023 1,672,195 281,023**

**Alfred Nzo District Municipality**

Group Annual Financial Statements for the year ended 30 June 2010

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>GROUP</b>		<b>ANDM</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>16.5 Fire &amp; Emergency (Disaster Management)</b>				
Balance unspent at beginning of year	1,324,851	1,265,642	1,324,851	1,265,642
Current year receipts	433,005	1,050,000	433,005	1,050,000
Conditions met - transferred to revenue	(1,673,033)	(990,791)	(1,673,033)	(990,791)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>84,823</b>	<b>1,324,851</b>	<b>84,823</b>	<b>1,324,851</b>
<b>16.6 Dept. Sports &amp; Culture</b>				
Balance unspent at beginning of year	1,008,137	8,505	1,008,137	8,505
Current year receipts	1,000,000	1,000,000	1,000,000	1,000,000
Conditions met - transferred to revenue	(537,838)	(368)	(537,838)	(368)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>1,470,299</b>	<b>1,008,137</b>	<b>1,470,299</b>	<b>1,008,137</b>
<b>16.7 Performance Measurement System</b>				
Balance unspent at beginning of year	308,914	-	308,914	-
Current year receipts	520,325	330,000	520,325	330,000
Conditions met - transferred to revenue	(292,924)	(21,086)	(292,924)	(21,086)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>536,315</b>	<b>308,914</b>	<b>536,315</b>	<b>308,914</b>
<b>16.8 Disaster Management</b>				
Balance unspent at beginning of year	615,285	271,711	615,285	271,711
Current year receipts	-	470,000	-	470,000
Conditions met - transferred to revenue	(470,000)	(126,426)	(470,000)	(126,426)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>145,285</b>	<b>615,285</b>	<b>145,285</b>	<b>615,285</b>
<b>16.9 IDP / Maluti Township</b>				
Balance unspent at beginning of year	349,327	3,344	349,327	3,344
Current year receipts	700,000	614,000	700,000	614,000
Conditions met - transferred to revenue	(275,904)	(268,017)	(275,904)	(268,017)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>773,423</b>	<b>349,327</b>	<b>773,423</b>	<b>349,327</b>
<b>16.10 MSP / LED - Capacity</b>				
Balance unspent at beginning of year	354,496	2,591	354,496	2,591
Current year receipts	351,719	352,272	351,719	352,272
Conditions met - transferred to revenue	(332,560)	(368)	(332,560)	(368)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>373,654</b>	<b>354,496</b>	<b>373,654</b>	<b>354,496</b>
<b>16.11 LED - Strategy</b>				
Balance unspent at beginning of year	446,640	42,736	446,640	42,736
Current year receipts	450,000	418,000	450,000	418,000
Conditions met - transferred to revenue	(333,994)	(14,097)	(333,994)	(14,097)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>562,646</b>	<b>446,640</b>	<b>562,646</b>	<b>446,640</b>



# **Alfred Nzo District Municipality**

Group Annual Financial Statements for the year ended 30 June 2010

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

### **16.12 MSIG**

	<b>GROUP</b>		<b>ANDM</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance unspent at beginning of year</b>	3,700	3,374	3,700	3,374
Current year receipts	735,000	735,000	735,000	735,000
Conditions met - transferred to revenue	(456,111)	(734,674)	(456,111)	(734,674)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>282,589</b>	<b>3,700</b>	<b>282,589</b>	<b>3,700</b>

### **16.13 FMG**

<b>Balance unspent at beginning of year</b>	11,706	-	11,706	-
Current year receipts	750,846	500,000	750,846	500,000
Conditions met - transferred to revenue	(583,353)	(488,294)	(583,353)	(488,294)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>179,199</b>	<b>11,706</b>	<b>179,199</b>	<b>11,706</b>

### **16.14 LED - Economic Affairs**

<b>Balance unspent at beginning of year</b>	219,360	120,383	219,360	120,383
Current year receipts	1,000,000	5,600,000	1,000,000	5,600,000
Conditions met - transferred to revenue	(1,220,000)	(5,501,023)	(1,220,000)	(5,501,023)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>(640)</b>	<b>219,360</b>	<b>(640)</b>	<b>219,360</b>

### **16.15 Thetha**

<b>Balance unspent at beginning of year</b>	1,210,273	5,463	1,210,273	5,463
Current year receipts	-	1,407,310	-	1,407,310
Conditions met - transferred to revenue	(433,005)	(202,500)	(433,005)	(202,500)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>777,268</b>	<b>1,210,273</b>	<b>777,268</b>	<b>1,210,273</b>

### **16.16 ISRDP**

Current year receipts	1,595,000	-	1,595,000	-
Conditions met - transferred to revenue	(11,389)	-	(11,389)	-
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>1,583,612</b>	<b>-</b>	<b>1,583,612</b>	<b>-</b>

### **16.17 LG-Seta**

<b>Balance unspent at beginning of year</b>	23,481	8,380	23,481	8,380
Current year receipts	267,377	165,465	267,377	165,465
Conditions met - transferred to revenue	(223,667)	(150,364)	(223,667)	(150,364)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>67,192</b>	<b>23,481</b>	<b>67,192</b>	<b>23,481</b>

### **16.18 DIDEA**

<b>Balance unspent at beginning of year</b>	221,847	-	221,847	-
Current year receipts	-	221,847	-	221,847
Conditions met - transferred to revenue	-	-	-	-
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>221,847</b>	<b>221,847</b>	<b>221,847</b>	<b>221,847</b>

### **16.19 HIV / AIDS / ATTIC**

<b>Balance unspent at beginning of year</b>	88	9,262	88	9,262
Current year receipts	2,076,230	-	2,076,230	-
Conditions met - transferred to revenue	(1,476,007)	(9,174)	(1,476,007)	(9,174)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>600,312</b>	<b>88</b>	<b>600,312</b>	<b>88</b>

### **16.20 IEC - Rural Housing Development**

<b>Balance unspent at beginning of year</b>	3,695,775	195,597	3,695,775	195,597
Current year receipts	-	8,797,195	-	8,797,195
Conditions met - transferred to revenue	(2,410,598)	(5,297,017)	(2,410,598)	(5,297,017)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>1,285,177</b>	<b>3,695,775</b>	<b>1,285,177</b>	<b>3,695,775</b>

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### 16.21 Public works

	GROUP		ANDM	
	2010	2009	2010	2009
	R	R	R	R
Current year receipts	4,124,500	-	4,124,500	-
Conditions met - transferred to revenue	(1,317,539)	-	(1,317,539)	-
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>2,806,961</b>	<b>-</b>	<b>2,806,961</b>	<b>-</b>

### 16.22 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 17 OTHER INCOME

Sundry income	3,472,919	2,864,905	3,472,919	2,864,905
<b>Total Other Income</b>	<b>3,472,919</b>	<b>2,864,905</b>	<b>3,472,919</b>	<b>2,864,905</b>

### 18 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	41,180,295	55,889,304	40,757,195	55,889,304
Employee related costs - Contributions for UIF, pensions and medical aids	1,643,769	3,641,736	1,643,769	3,641,736
Travel, motor car, accommodation, subsistence and other allowances	1,724,053	-	1,724,053	-
Housing benefits and allowances	176,349	109,152	176,349	109,152
Overtime payments	32,903	1,754	32,903	1,754
Performance and other bonuses	659,798	-	659,798	-
Long-service awards	16,423	-	16,423	-
Other employee related costs	9,295	-	9,295	-
<b>Total Employee Related Costs</b>	<b>45,442,885</b>	<b>59,641,946</b>	<b>45,019,785</b>	<b>59,641,946</b>

Loans to employees are set out in note 5.

The above total employee related cost are inclusive of the following:

#### Remuneration of the Municipal Manager

Annual Remuneration	408,083	-	408,083	-
Travel, motor car, accommodation, subsistence and other allowances	203,167	-	203,167	-
Contributions to UIF, Medical and Pension Funds	1,123	-	1,123	-
<b>Total</b>	<b>612,373</b>	<b>-</b>	<b>612,373</b>	<b>-</b>

#### Remuneration of the Chief Finance Officer

Annual Remuneration	442,709	112,153	442,709	112,153
Travel, motor car, accommodation, subsistence and other allowances	265,626	60,503	265,626	60,503
Contributions to UIF, Medical and Pension Funds	-	5,266	-	5,266
<b>Total</b>	<b>708,335</b>	<b>177,923</b>	<b>708,335</b>	<b>177,923</b>

#### Remuneration of S57 employees

##### Senior manager - Community services

Annual Remuneration	186,506	-	186,506	-
Allowances	127,911	-	127,911	-
UIF	749	-	749	-
<b>total</b>	<b>315,166</b>	<b>-</b>	<b>315,166</b>	<b>-</b>

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	GROUP		ANDM	
	2010	2009	2010	2009
	R	R	R	R
<b>Senior manager - Technical</b>				
Annual Remuneration	354,384	-	354,384	-
Allowances	233,591	-	233,591	-
UIF	1,373	-	1,373	-
Backpay	3,760	-	3,760	-
Pension	52,713	-	52,713	-
Medical aid	12,450	-	12,450	-
<b>Total</b>	<b>658,271</b>	<b>-</b>	<b>658,271</b>	<b>-</b>
<b>Senior manager - Corporate services (Acting)</b>				
Annual Remuneration	155,210	-	155,210	-
Backpay	1,100	-	1,100	-
Allowances	108,080	-	108,080	-
Acting allowances	95,029	-	95,029	-
UIF	873	-	873	-
<b>Total</b>	<b>360,292</b>	<b>-</b>	<b>360,292</b>	<b>-</b>
<b>Chief Executive Officer - Alfred Nzo Development Agency (Acting)</b>				
Annual Remuneration	391,299	388,332	391,299	388,332
Acting allowance	32,608	4,591	32,608	4,591
Backpay	-	4,945	-	4,945
Annual bonus	-	32,608	-	32,608
Allowances	228,258	161,262	228,258	161,262
UIF	1,497	1,497	1,497	1,497
Medical aid	9,592	19,367	9,592	19,367
Pension fund	-	45,107	-	45,107
<b>Total</b>	<b>663,255</b>	<b>657,710</b>	<b>663,255</b>	<b>657,710</b>
<b>Senior manager - Corporate services (Resigned)</b>				
Annual salary	-	450,422	-	450,422
Advance	-	683	-	683
Acting allowance	-	13,774	-	13,774
Backpay	-	4,850	-	4,850
Allowances	-	158,676	-	158,676
U.I.F	-	1,622	-	1,622
Medical aid	-	25,608	-	25,608
<b>Total</b>	<b>-</b>	<b>655,635</b>	<b>-</b>	<b>655,635</b>
<b>Senior manager - Technical (Contract ended)</b>				
Annual salary	-	258,934	-	258,934
Allowances	-	128,849	-	128,849
U.I.F	-	998	-	998
Pension fund	-	41,713	-	41,713
SDL	-	3,829	-	3,829
<b>Total</b>	<b>-</b>	<b>434,324</b>	<b>-</b>	<b>434,324</b>

## 19 REMUNERATION OF COUNCILLORS

Executive Mayor	573,440	465,263	573,440	465,263
Speaker	449,742	415,748	449,742	415,748
Councillors	1,506,292	747,895	1,506,292	747,895
Councillors' pension and medical aid contributions	578,698	164,168	578,698	164,168
Councillors' allowances	607,906	668,397	607,906	668,397
<b>Total Councillors' Remuneration</b>	<b>3,716,078</b>	<b>2,461,471</b>	<b>3,716,078</b>	<b>2,461,471</b>

## In-kind Benefits

The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of the Council owned vehicle for official duties.

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	GROUP		ANDM	
	2010	2009	2010	2009
	R	R	R	R
<b>20 FINANCE COSTS</b>				
Borrowings	2,288,685	2,385,770	2,288,685	2,385,770
<b>Total Finance Costs</b>	<b>2,288,685</b>	<b>2,385,770</b>	<b>2,288,685</b>	<b>2,385,770</b>
<b>21 BULK PURCHASES</b>				
Water	3,935,463	1,712,397	3,935,463	1,712,397
<b>Total Bulk Purchases</b>	<b>3,935,463</b>	<b>1,712,397</b>	<b>3,935,463</b>	<b>1,712,397</b>
<b>22 GRANTS AND SUBSIDIES PAID</b>				
Subsidy paid to Alfred Nzo Development Agency	-	-	8,079,482	150,000
	<b>-</b>	<b>-</b>	<b>8,079,482</b>	<b>150,000</b>
During the financial year the Municipality made the above transfer payments to Alfred Nzo Development Agency, a wholly owned subsidiary, for community projects.				
<b>23 GENERAL EXPENSES</b>				
Included in general expenses are the following:-				
Advertising	723,865	1,275,616	681,710	1,275,616
Audit fees	2,914,711	1,038,398	2,914,711	1,027,898
Bank charges	60,932	294,262	59,376	293,973
Cleaning	632,296	768,552	632,296	768,552
Conferences and delegations	685,206	856,534	579,317	853,915
Consulting fees	6,604,838	6,419,214	6,198,333	6,391,680
Departmental consumption	-	121,156	-	121,156
Fuel and oil	765,138	1,127,297	765,138	1,127,297
Insurance	763,460	1,221,344	763,460	1,221,344
Legal expenses	120,204	43,491	120,204	43,491
Licence fees - vehicles	97,998	229,982	97,998	229,982
Licence fees - computers	21,791	164,426	-	164,426
Membership fees	529,376	617,274	529,376	617,274
Printing and stationery	1,298,400	987,625	1,278,626	987,035
Security costs	1,815,122	406,031	1,815,122	406,031
Skills development levies	107,257	189,366	107,257	189,366
Telephone cost	3,634,252	4,512,911	3,629,784	4,511,643
Training	2,382,688	1,506,878	2,332,063	1,506,878
Travel and subsistence	2,240,492	5,356,974	1,923,745	5,301,850
Uniforms & overalls	-	165,007	-	165,007
Other	20,007,395	7,096,231	13,298,370	7,080,962
	<b>45,405,421</b>	<b>34,398,565</b>	<b>37,744,972</b>	<b>34,285,372</b>
<b>24 CASH GENERATED FROM OPERATIONS</b>				
Surplus for the year	167,329,921	115,791,271	167,324,712	115,752,446
Adjustment for:-				
Finance costs	2,288,685	2,385,770	2,288,685	2,385,770
Interest earned	(4,213,248)	(2,838,484)	(4,203,973)	(2,836,466)
<b>Operating surplus before working capital changes:</b>	<b>165,405,357</b>	<b>115,338,557</b>	<b>165,409,424</b>	<b>115,301,750</b>
(Increase) in inventories	(549,487)	(4,347,090)	(549,487)	(4,347,090)
(Increase) / decrease in trade and other receivables	(4,757,592)	(138,519,424)	1,241,153	(138,519,424)
(Decrease) / Increase in trade payables	(61,131,804)	79,491,297	(67,179,471)	79,480,797
<b>Cash generated from operations</b>	<b>98,966,473</b>	<b>51,963,343</b>	<b>98,921,618</b>	<b>51,916,036</b>

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GROUP		ANDM	
2010	2009	2010	2009
R	R	R	R

### 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	1,583,739	16,515,558	1,564,942	16,502,242
Investments - Call account	27,375,147	72,537,504	27,358,135	72,537,504
Bank overdrafts	(52,041)	(743,869)	(52,041)	(743,869)
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>28,906,845</b>	<b>88,309,193</b>	<b>28,871,036</b>	<b>88,295,877</b>

### 26 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 11)	(25,147,993)	(26,052,935)	(25,147,993)	(26,052,935)
Cash set aside for the repayment of long-term liabilities	15,112,935	13,675,287	15,112,935	13,675,287
<b>Cash (shortfall) for repayment of long-term liabilities</b>	<b>(10,035,058)</b>	<b>(12,377,648)</b>	<b>(10,035,058)</b>	<b>(12,377,648)</b>

It is envisaged that sufficient future cash should become available upon redemption of the investment to repay the obligation. Fixed deposits with Investec Bank was invested on 22/07/2004, and will mature on 22/07/2014. The deposit earns interest at 10.15% per annum. The fixed deposit serves as security for the loans obtained by the Development Bank of South Africa. A promissory note on the investment has been issued by Investec, with a maturity value of R 22,711,353. The carrying amount at year end approximates its fair value.

### 27 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality per cash basis of accounting (IMFO), arising from the implementation of Generally Recognised Accounting Practice (GRAP) accounting standards and changes to existing accounting policies to comply with the accrual basis of accounting:

#### 27.1 Funds & Reserves

##### Balance previously reported: -

Trust Funds	-	40,520,474	-	40,520,474
<b>Total</b>	<b>-</b>	<b>40,520,474</b>	<b>-</b>	<b>40,520,474</b>

##### Implementation of GRAP

Transferred to Accumulated Surplus	-	9,845,839	-	9,845,839
Other	-	(9,845,839)	-	2,156,639
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,002,477</b>

#### 27.2 Current payables and provisions

##### Balance previously reported

Trade and other payables (incl. provisions)	-	84,714,328	-	84,714,328
<b>Total</b>	<b>-</b>	<b>84,714,328</b>	<b>-</b>	<b>84,714,328</b>

##### Implementation of GRAP

Transferred to Accumulated Surplus	-	(5,704,745)	-	(5,704,745)
Other	-	4,488,984	-	1,215,761
<b>Total</b>	<b>-</b>	<b>(1,215,761)</b>	<b>-</b>	<b>(4,488,984)</b>

#### 27.3 Inventory

##### Balance previously reported

	-	4,133,463	-	4,133,463
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##### Implementation of GRAP

Transferred to Accumulated Surplus	-	(3,395,664)	-	(3,395,664)
Water inventory not previously disclosed	-	213,627	-	213,627
<b>Total</b>	<b>-</b>	<b>(3,182,038)</b>	<b>-</b>	<b>(3,182,038)</b>

# **Alfred Nzo District Municipality**

Group Annual Financial Statements for the year ended 30 June 2010

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>GROUP</b>		<b>ANDM</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>27.4 Current receivables</b>				
Balance previously reported -	-	35,943,859	-	35,943,859
Implementation of GRAP				
Transferred to Accumulated Surplus	-	(5,697,208)	-	(5,697,208)
Other	-	70,081	-	70,081
<b>Total</b>	<b>-</b>	<b>(5,627,126)</b>	<b>-</b>	<b>(5,627,126)</b>

## **27.5 Property, plant and equipment**

Balance previously reported  
**Implementation of GRAP - First implementation of GRAP, therefore directive 4 will be adopted on measurement of PPE**  
 Property, Plant and Equipment adjusted against Accumulated Surplus  
**Total**

157,950,794	1,255,998	157,919,157	1,219,989
(157,950,794)	(1,255,998)	(157,919,157)	(1,219,989)
-	-	-	-

## **27.6 Accumulated Surplus**

**Implementation of GRAP**  
 Adjustments to inventory  
 Adjustments to current payables and provisions  
 Adjustments to current receivables and doubtful debts  
 Adjustments to funds and reserves  
 Adjustment to property, plant and equipment - implementation of directive 4  
 Adjustment to the Statement of financial performance  
**Total**

-	3,395,664	-	3,395,664
-	5,704,745	-	5,704,745
-	5,697,208	-	5,697,208
-	(9,845,839)	-	(9,845,839)
157,950,794	1,255,998	157,919,157	1,219,989
(5,998,745)	130,743,257	(5,998,745)	130,743,257
<b>151,952,049</b>	<b>136,951,033</b>	<b>151,920,412</b>	<b>136,915,024</b>

The adjustment of R130,743,257 to the statement of financial performance comprise mainly revenue adjustments as a result of the change in the manner in which Conditional Grant expenditure is accounted for as revenue when conditions are met, that was previously not required under the IMFO basis of accounting, but is required by GRAP standards.

## **28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

### **28.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance  
 Unauthorised expenditure current year  
 Approved by Council or condoned  
 Transfer to receivables for recovery  
 Unauthorised expenditure awaiting authorisation

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

### **28.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance -  
 Fruitless and wasteful expenditure current year  
 Condoned or written off by Council  
 To be recovered – contingent asset  
 Fruitless and wasteful expenditure awaiting condonement

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

### **28.3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance  
 Condoned or written off by Council  
 Transfer to receivables for recovery – not condoned  
 Irregular expenditure awaiting condonement

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GROUP		ANDM	
2010	2009	2010	2009
R	R	R	R

### 29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 29.1 Audit fees

Current year audit fee	2,914,711	1,038,398	2,914,711	1,027,898
Amount paid - current year	(2,914,711)	(1,038,398)	(2,914,711)	(1,027,898)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 29.2 VAT

VAT input receivables and VAT output payables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

#### 29.3 PAYE and UIF

Current year payroll deductions	7,211,032	845,812	7,211,032	845,812
Amount paid - current year	(6,541,417)	(272,744)	(6,541,417)	(272,744)
<b>Balance unpaid (included in payables)</b>	<b>(669,615)</b>	<b>(573,068)</b>	<b>(669,615)</b>	<b>(573,068)</b>

#### 29.4 Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	9,610,910	4,128,157	9,084,239	4,128,157
Amount paid - current year	(8,304,668)	(3,427,260)	(8,304,668)	(3,427,260)
<b>Balance unpaid (included in payables)</b>	<b>(1,306,242)</b>	<b>(700,897)</b>	<b>(779,571)</b>	<b>(700,897)</b>

### 30 CAPITAL COMMITMENTS

#### 30.1 Commitments in respect of capital expenditure

<b>- Approved but not yet contracted for</b>	<b>180,998,269</b>	<b>194,199,109</b>	<b>180,998,269</b>	<b>194,199,109</b>
Infrastructure	178,705,999	161,390,096	178,705,999	161,390,096
Other	2,292,270	32,809,013	2,292,270	32,809,013
<b>Total</b>	<b>180,998,269</b>	<b>194,199,109</b>	<b>180,998,269</b>	<b>194,199,109</b>

This expenditure will be financed from:

- External Loans	4,000,000	4,000,000
- Government Grants	174,705,999	174,705,999
- Own resources	2,292,270	2,292,270

The Municipality has taken advantage of the transitional provisions set out in GRAP 17 - Directive 4. These transitional provisions are applied on all infrastructure, other assets and infrastructure capital commitments. The municipality is in the process of valuing all infrastructure, other assets and capital commitments and will recalculate the total value and accumulated depreciation once this exercise has been completed by 30 June 2012 to ensure compliance with the measurement criteria set out in GRAP 17. At present the value of these infrastructure, other assets are included at R0 and capital commitments are included at provisional amounts, as per capital commitment listing (approved and contracted out and approved but not contracted out).

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GROUP		ANDM	
2010	2009	2010	2009
R	R	R	R

### 31 RETIREMENT BENEFIT INFORMATION

#### 31.1 Defined contribution plan

The following are defined contribution plans: South African Municipal Pension Fund, LGPF, Cape Joint Pension Fund, Municipal Councilors Pension Fund, GEPF. These contributions have been expensed.

Amounts contributed to the plans are as follows:

	2010	2009	2010	2009
South African Municipal Pension Fund	1,914,042	1,937,506	1,914,042	1,937,506
- employer	1,180,354	1,228,660	1,180,354	1,228,660
- employees	733,688	708,846	733,688	708,846
LGPF	1,099,483	505,674	1,099,483	505,674
- employer	781,308	339,550	781,308	339,550
- employees	318,175	166,124	318,175	166,124
Cape Joint Pension Fund	53,103	53,103	53,103	53,103
- employer	37,484	37,484	37,484	37,484
- employees	15,619	15,619	15,619	15,619
Municipal Councilors Pension Fund	448,989	402,416	448,989	402,416
- employer	299,326	268,277	299,326	268,277
- councilors	149,663	134,138	149,663	134,138
GEPF	900,056	800,770	900,056	800,770
- employer	570,767	507,806	570,767	507,806
- councilors	329,289	292,965	329,289	292,965

### 32 RELATED PARTIES

Members of key management - Section 57:

Compensation to councillors and other key management (refer to note 18 & 19)

Alfred Nzo Development Agency (Pty) Ltd:

Subsidies and transfers (Note 23)	-	-	8,079,482	150,000
Current Financial Liability (Note 13)	-	-	2,140,000	-

The municipality is the 100% owner of the Alfred Nzo Development Agency (Pty) Ltd and exercises full control over the municipal entity.

### 33 EVENTS AFTER THE REPORTING DATE

No events after reporting date were noted

### 34 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

#### Provision for doubtful debts

Management does not have a set accounting policy in place to provide for the bad debts. Debtors are assessed each year, and management decides what the appropriate amount is to write off. Management considers the age of the debts as well as the risk associated with the individual consumer.

The carrying value of the provision for bad debt is R 16,510,262 (2009 : R11,816,860)

Proposed bad debts written off at a percentage of 50% on debtors on 120 days and above was approved by management and not yet presented to and condoned by council



## Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GROUP		ANDM	
2010	2009	2010	2009
R	R	R	R

### 35 RISK MANAGEMENT

#### 35.1 Maximum credit risk exposure

Credit risk consists mainly of long-term deposits, call deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

**Financial assets exposed to credit risk at year end were as follows:**

Long-term Investment - Fixed Deposits	15,112,935	13,675,287	15,112,935	13,675,287
Current Account - FNB	1,583,739	16,515,558	1,564,942	16,502,242
Trade and other receivables	26,663,709	15,422,813	10,153,447	3,605,954

These balances represent the maximum exposure to credit risk.

#### 35.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Because of high levels of creditors and long term liabilities the liquidity risk of the municipality is assessed as high.

#### 35.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 50% of its borrowings in fixed rate instruments.

**At year end, financial instruments exposed to interest rate risk were as**

- Development Bank of South Africa loan	27,509,821	28,285,905	27,509,821	28,285,905
- FNB overdraft	52,041	743,869	52,041	743,869
	<b>27,561,862</b>	<b>29,029,774</b>	<b>27,561,862</b>	<b>29,029,774</b>

#### 35.4 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

# Alfred Nzo District Municipality

Group Annual Financial Statements for the year ended 30 June 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GROUP		ANDM	
2010	2009	2010	2009
R	R	R	R

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

	2010	2009	2010	2009
Increase (decrease) in interest rates				
The estimated increase / (decrease) in basis points	(100)	(200)	(100)	(200)
Effect on surplus	2,756,186	5,805,955	2,756,186	5,805,955

## 36 COMPARISON WITH THE BUDGET

### RECONCILIATION OF BUDGET SURPLUS WITH THE DEFICIT IN THE STATEMENT OF FINANCIAL PERFORMANCE

	GROUP 30 June 2010	ANDM 30 June 2010
Net surplus/deficit per the statement of financial performance:	167,329,921	167,324,712
<i>Adjusted for:</i>		
Service charges	(4,382,156)	(4,382,156)
Rental of facilities and equipment	(127,504)	(127,504)
Interest earned - external investments	3,071,465	3,080,740
Government grants and subsidies	(64,925,558)	(64,925,558)
Other income	2,044,021	2,044,021
Employee related costs	(2,283,695)	(2,706,795)
Remuneration of councillors	3,716,078	3,716,078
Bulk purchases	3,935,463	3,935,463
Repairs and maintenance	(138,142)	(138,142)
Grants and subsidies paid	-	8,079,482
General expenses	(29,733,811)	(37,394,260)
Net surplus per approved budget:	<u>78,506,082</u>	<u>78,506,082</u>

# **Alfred Nzo District Municipality**

Group Annual Financial Statements for the year ended 30 June 2010

## **APPENDIX A** **SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

<b>EXTERNAL LOANS</b>	<b>Loan number</b>	<b>Redeemable Date</b>	<b>Balance at 30 June 2009</b>	<b>Received during the period</b>	<b>Redeemed / written off during the period</b>	<b>Balance at 30 June 2010</b>
			<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>LONG-TERM LOANS</b>						
DBSA - { R12,026,793 } @ 11.47%	100971	31/03/2025	12,509,977	1,357,519	(1,641,422)	12,226,074
DBSA - { R9,848,997 } @ 11.47%	102129	31/03/2025	15,775,928	768,368	(1,260,550)	15,283,746
<b>Total long-term loans</b>			<b>28,285,905</b>	<b>2,125,887</b>	<b>(2,901,972)</b>	<b>27,509,820</b>
			<u>28,285,905</u>	<u>2,125,887</u>	<u>(2,901,972)</u>	<u>27,509,820</u>

**Less: Current portion**  
**TOTAL EXTERNAL LOANS**

(2,361,827)  
25,147,993

Group Annual Financial Statements for the year ended 30 June 2010

## SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

33

## Group Annual Financial Statements for the year ended 30 June 2010

## SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

34